

Rules on Handling of Buy-In, Etc. related to JGB OTC Transaction

Chapter 1 General Provisions

(Article 1 Purpose)

These Rules set forth necessary matters concerning the handling of Buy-In, Buy-In by Participants, and Buy-In Notice under the Uniform Practice Code pursuant to the provisions of Article 64 of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the “Business Rules”).

Chapter 2 Buy-In

(Article 2 Buy-In Notice)

- 1 JSCC shall, if it intends to execute Buy-In pursuant to the provisions of Article 55 of the Business Rules, notify the delivering Clearing Participant related to Fail for which such Buy-In will be executed to the effect that it will execute Buy-In (hereinafter referred to as “Buy-In Notice”).
- 2 JSCC may give a Buy-In Notice prescribed in the preceding Paragraph only if the Fail for which such Buy-In will be executed continues on or after the twelfth (12th) day (excluding holidays; the same shall apply hereinafter in the calculation of number of days) from the original settlement day, etc.

(Article 3 Time Limit, Etc. for Buy-In Notice)

JSCC shall give a Buy-In Notice prescribed in the preceding Article by noon of the day that is ten (10) days prior to the day on which Buy-In is scheduled to be executed (hereinafter referred to as “scheduled day of Buy-In”); provided, however, that JSCC may extraordinarily change said time limit if it deems it necessary.

(Article 4 Execution of Buy-In)

- 1 In the case where JSCC has given a Buy-In Notice, if the Settlement Related to Fail for which Buy-In will be executed has not been executed by noon of the scheduled day of Buy-In (in the case where JSCC has not executed Buy-In on or after the scheduled day of Buy-In, the following day (if such day falls on a holiday, it shall be the immediately

following business day; the same shall apply hereinafter); the same shall apply in the following Paragraph), JSCC may execute Buy-In.

- 2 The delivering Clearing Participant related to Fail for which Buy-In will be executed shall, if it intends to execute the Settlement Related to Fail for which such Buy-In will be executed after noon of the scheduled day of Buy-In, notify JSCC to that effect by noon of said scheduled day of Buy-In using the Form prescribed by JSCC. In this case, notwithstanding the provisions of the preceding Paragraph, JSCC will not execute Buy-In on said scheduled day of Buy-In.
- 3 JSCC shall, if it has executed Buy-In pursuant to the provisions of Paragraph 1, immediately notify the delivering Clearing Participant related to Fail for which said Buy-In was executed of that fact.
- 4 The delivering Clearing Participant which received the notice under the provisions of the preceding Paragraph may no longer execute the Settlement Related to Fail for which Buy-In related to said notice was executed after the receipt of said notice.

(Article 5 Expiration of Buy-In Notice)

A Buy-In Notice shall cease to be effective if Buy-In has not been executed by the fourth (4th) day from the scheduled day of Buy-In.

Chapter 3 Buy-In by Participants

(Article 6 Buy-In Notice by Participants)

- 1 A receiving Clearing Participant related to Fail shall, if it intends to execute Buy-In by Participants pursuant to the provisions of Article 58 of the Business Rules, notify JSCC to the effect that it will execute Buy-In by Participants (hereinafter referred to as "Buy-In Notice by Participants").
- 2 A receiving Clearing Participant related to Fail may give a Buy-In Notice by Participants prescribed in the preceding Paragraph only if the Fail for which such Buy-In by Participant will be executed continues on or after the twelfth (12th) day from the original settlement day, etc.

(Article 7 Time Limit, Etc. for Buy-In Notice by Participants)

A receiving Clearing Participant related to Fail shall give a Buy-In Notice by Participants

prescribed in the preceding Article by noon of the day that is ten (10) days prior to the day on which Buy-In by Participants is scheduled to be executed (hereinafter referred to as “scheduled day of Buy-In by Participants”) using the Form prescribed by JSCC; provided, however, that JSCC may extraordinarily change said time limit if it deems it necessary.

(Article 8 Secondary Notice upon Receipt of Buy-In Notice by Participants)

Upon receipt of a Buy-In Notice by Participants, JSCC shall notify the delivering Clearing Participant related to Fail for which Buy-In by Participants will be executed of such receipt.

(Article 9 Execution of Buy-In by Participants)

- 1 In the case where a receiving Clearing Participant related to Fail has given a Buy-In Notice by Participants, if the Settlement Related to Fail for which Buy-In by Participants will be executed has not been executed by noon of the scheduled day of Buy-In by Participants (in the case where the receiving Clearing Participant related to Fail has not executed Buy-In by Participants on or after the scheduled day of Buy-In by Participants, the following day; the same shall apply in the following Paragraph), said receiving Clearing Participant may execute Buy-In by Participants.
- 2 The delivering Clearing Participant related to Fail for which Buy-In by Participants will be executed shall, if it intends to execute the Settlement Related to Fail for which such Buy-In by Participants will be executed after noon of the scheduled day of Buy-In by Participants, notify JSCC to that effect by noon of said scheduled day of Buy-In by Participants using the Form prescribed by JSCC.
- 3 Upon receipt of the notice prescribed in the preceding Paragraph, JSCC shall promptly notify the Clearing Participant which intends to execute Buy-In by Participants of such receipt. In this case, notwithstanding the provisions of Paragraph 1, the Clearing Participant which gave the Buy-In Notice by Participants may not execute Buy-In by Participants on said scheduled day of Buy-In by Participants.
- 4 A Clearing Participant which has executed Buy-In by Participants shall immediately notify JSCC of that fact using the Form prescribed by JSCC.
- 5 Upon receipt of the notice under the provisions of the preceding Paragraph from the Clearing Participant which executed Buy-In by Participants, JSCC shall immediately

notify the delivering Clearing Participant related to Fail for which such Buy-In by Participants was executed of such receipt.

- 6 The delivering Clearing Participant which received the notice under the provisions of the preceding Paragraph may no longer execute the Settlement Related to Fail for which Buy-In by Participants related to said notice was executed after the receipt of said notice.

(Article 10 Expiration of Buy-In Notice by Participants)

A Buy-In Notice by Participants shall cease to be effective if Buy-In by Participants has not been executed by the fourth (4th) day from the scheduled day of Buy-In by Participants.

(Article 11 Buy-In by Participants from an Own Account)

A Clearing Participant may purchase Japanese government bonds that it holds on its own account through Buy-In by Participants. In this case, said Clearing Participant shall execute Buy-In by Participants at a price that reflects fair market price.

Chapter 4 Buy-In Notice under the Uniform Practice Code

(Article 12 Buy-In Notice under Uniform Practice Code)

- 1 A receiving Clearing Participant related to Fail shall, if it intends to give a Buy-In Notice under the Uniform Practice Code pursuant to the provisions of Article 61 of the Business Rules, give such notice using the Form prescribed by JSCC by noon of the day immediately following the day on which it received a notice concerning Buy-In under the Uniform Practice Code or a secondary notice upon receipt of such notice. However, if the day immediately following the day on which it received said notice or secondary notice is a day that is two (2) days prior to the day on which Buy-In under the Uniform Practice Code is scheduled to be executed (hereinafter referred to as “scheduled day of Buy-In under the Uniform Practice Code”), the receiving Clearing Participant related to Fail shall give a Buy-In Notice under the Uniform Practice Code by noon of the day on which it received such notice or secondary notice.
- 2 JSCC may extraordinarily change the time limit prescribed in the preceding Paragraph if it deems it necessary.

(Article 13 Secondary Notice upon Receipt of Buy-In Notice under the Uniform Practice Code)

Upon receipt of a Buy-In Notice under the Uniform Practice Code, JSCC shall notify the delivering Clearing Participant related to Fail for which Buy-In Notice under the Uniform Practice Code was given of such receipt.

(Article 14 Notice of Execution of Buy-In under the Uniform Practice Code)

- 1 A delivering Clearing Participant related to Fail for which a Buy-In Notice under the Uniform Practice Code was given shall, if it intends to execute the Settlement Related to Fail for which said Buy-In Notice under the Uniform Practice Code was given after noon of the scheduled day of Buy-In under the Uniform Practice Code (in the case where Buy-In under the Uniform Practice Code has not been executed on or after the scheduled day of Buy-In under the Uniform Practice Code, the following day), notify JSCC to that effect by noon of said scheduled day of Buy-In under the Uniform Practice Code using the Form prescribed by JSCC.
- 2 Upon receipt of the notice prescribed in the preceding Paragraph, JSCC shall promptly notify the Clearing Participant which gave the Buy-In Notice under the Uniform Practice Code of such receipt.
- 3 A Clearing Participant which gave a Buy-In Notice under the Uniform Practice Code shall, if it comes to know that Buy-In under the Uniform Practice Code related to said notice has been executed, immediately notify JSCC to that effect.
- 4 Upon receipt of the notice prescribed in the preceding Paragraph, JSCC shall notify the delivering Clearing Participant related to Fail for which said Buy-In Notice under the Uniform Practice Code was given of such receipt.
- 5 The delivering Clearing Participant which received the notice under the provisions of the preceding Paragraph may no longer execute the Settlement Related to Fail for which Buy-In Notice under the Uniform Practice Code related to said notice was given after the receipt of said notice (except for cases where it has given a notice prescribed in Paragraph 1).

(Article 15 Expiration of Buy-In Notice under the Uniform Practice Code)

A Buy-In Notice under the Uniform Practice Code shall cease to be effective if

Settlement Related to Fail for which said notice was given has been executed or if Buy-In under the Uniform Practice Code has not been executed by the fourth (4th) day from the scheduled day of Buy-In under the Uniform Practice Code stated in said notice.

Supplementary Provisions

These Rules shall come into effect on October 1, 2013.